

# U.S. Policy Toward West Europe and Canada

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*Following is a statement by Lawrence S. Eagleburger, Assistant Secretary for European Affairs, before the Subcommittee on Europe and the Middle East of the House Foreign Affairs Committee on June 2, 1981.*

I welcome this opportunity to discuss with you U.S. relations with West Europe and Canada. I look forward to meeting with you next week to review our relations with the Soviet Union, Yugoslavia, and the nations of Eastern Europe [see Current Policy 284, June 10, 1981]. Your main interest is U.S. policy.

- What are the priorities of the Reagan Administration?
- What major problems do we face?
- What have we achieved so far?
- What issues lie ahead?

You want, in short, the lay of the land and a look ahead. To that end, I will outline the following dimensions of U.S. diplomacy:

- Our overall framework for action;
- Our overriding concern for the military security and economic well-being of the transatlantic community; and
- Our clear commitment to good bilateral relations throughout the region.

## GENERAL FRAMEWORK FOR U.S. FOREIGN POLICY

Any discussion of U.S. policy toward West Europe and Canada must be put into broader perspective. The Reagan Administration has made clear that the nation is now launched on a new beginning. We are proceeding, with a re-

newed sense of purpose and direction, to restore American leadership and to achieve a world free from threat or use of force.

President Reagan and Secretary Haig have designed a foreign policy with four main points:

**First**, our insistence on restraint and reciprocity in East-West relations;

**Second**, our determination to strengthen our alliances, particularly NATO;

**Third**, our intention to play a constructive role in the developing nations of the world; and

**Fourth**, our fundamental resolve to strengthen our economy and our defenses.

Each of these four points bears on U.S. relations with West Europe and Canada—directly or indirectly. And each concern relates to the others. Without progress on the President's economic reform program, we cannot marshal the resources for increased defense capability. Nor can we manifest the leadership needed to renew the North Atlantic alliance. Without a resolute demonstration of collective will among the allies, we cannot build the basis for constructive East-West relations. And, without cooperation with the other nations of the transatlantic community, we cannot address the underlying problems of developing nations—problems which are significant on their own terms and which can provide openings for Soviet adventurism.

But, with balanced, consistent, and reliable emphasis on the four pillars of the Reagan Administration's policy, we can achieve progress. That progress toward the common defense and com-

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mon welfare can serve not only our national interests but also those of Canada and the nations of Western Europe.

## DEFENSE OF THE WEST

The Reagan Administration considers restoration of Western defense capability and allied cohesion an overriding priority. It is in concert with our NATO partners that U.S. foreign policy can achieve full effectiveness. The Atlantic alliance has stood the test of time. It has preserved the security of the United States, Canada, and Western Europe. And, based as it is on shared values and a common heritage, it will continue to play this essential role.

The Administration, as one of its primary goals, has tried to lay the foundation for an improved relationship with its allies. The meetings of NATO foreign and defense ministers in May marked important steps in this direction. The solidarity, consensus, and mutual confidence achieved there provide a firm basis on which to build.

Early in the new Administration, the United States resolved to strengthen its economy; to bolster its military power substantially; and to provide active, confident, and consistent leadership in foreign policy in the context of close and genuine consultation. Our allies have welcomed this approach as an important contribution to a healthy alliance.

The central element in U.S. foreign policy, and one in which allied support is crucial, is the approach to East-West relations. The United States has been active in working to develop a shared allied perception of the problems and directions in East-West policy. At the NATO ministerial meetings, the alliance took significant steps toward forging a new consensus on a firmer, more realistic approach to the Soviet Union. This approach has several components, as outlined by Secretary Haig.

**First**, an insistence that Soviet restraint and reciprocity in East-West relations must be a key element. The communique for the NATO ministerial put the Soviets on notice that a stable and constructive East-West relationship depends on Soviet restraint. In the same document, the Soviets were warned that grave consequences would follow from any intervention in Poland. The alliance reiterated the unacceptability of the Soviet invasion and occupation of Afghanistan and called again for a withdrawal of Soviet forces.

**Second**, the alliance must be strengthened in order to restore the

military balance. The NATO foreign ministers thus reaffirmed the decision made in December 1979 to proceed with theater nuclear forces (TNF) modernization. At the NATO Defense Planning Committee ministerial, the allies confirmed the standing allied commitment to the 3% formula for annual real defense spending increases and agreed to do their utmost to make available all of the resources needed to strengthen NATO's deterrent and defense forces. The United States and its allies will continue to work to improve NATO defense planning, emphasizing defense output as a standard in addition to the 3% benchmark.

**Third**, the United States and its allies intend to play an active and positive role in the developing nations of the world. The West has much to offer the developing countries in terms of humanitarian and economic assistance, aid in the peaceful resolution of international problems, and, when appropriate, assistance in deterring or defending against threats to their security. The United States and its allies recognize the global nature of the Soviet threat, whether it is exerted directly or through surrogates. The allies have expanded their horizons of concern beyond Europe because of appreciation for the fact that events outside the NATO area can threaten vital Western interests. However, a formal extension of NATO's area of responsibility is not necessary and not under consideration. We will strive for better consultation and cooperation among the allies on out-of-area concerns and for greater efforts, in accordance with the capabilities of members of the alliance, to meet threats in Southwest Asia and elsewhere.

**Fourth**, we will use East-West negotiations—while carefully assuring that the homework has been done so that U.S. and Western security interests will be served—as a means of achieving stability through restraint. The United States and our allies will maintain a dialogue with the Soviet Union. At the Madrid review meeting for the Conference on Security and Cooperation in Europe (CSCE), we and our allies seek to achieve substantive and balanced results leading to better implementation of CSCE provisions, including respect for human rights and enhanced security and cooperation. We support the French proposal for a conference on disarmament in Europe. The United States and our alliance partners favor realistic, balanced, and verifiable arms control. In this regard, the reaffirmation at this last

meeting of NATO foreign ministers of both tracks of the 1979 decision on TNF assumes particular importance. That decision had two elements: deployment and arms control, which were to be pursued together. Since the decision, NATO plans have moved forward on TNF deployment.

The arms control element of the TNF decision is also moving ahead. At the Rome meeting of NATO foreign ministers, the allies welcomed the announcement of the United States that we would be meeting with the Soviets to begin negotiations on TNF arms control within the SALT [Strategic Arms Limitation Talks] framework by the end of this year. Since then, Secretary Haig has met with Ambassador Dobrynin to begin laying the groundwork for his meeting with Mr. Gromyko in September at the U.N. General Assembly.

These are the basic elements of foreign policy on which we are working within the alliance. They have won general acceptance from our NATO partners. At the same time, it is realistic to say that we have only made a start. Differences exist in perceptions of the Soviet threat between publics and parliaments in Europe and the United States. The pressures upon our governments often differ. So does our sense of priorities on some of the major issues of the day. But, we have achieved a significant common sense of purpose and direction, and will continue, with our allies' help, translating these concepts into specific actions. To succeed, we each need the long-term support and understanding of our publics and parliaments.

## ECONOMIC STRENGTH FOR THE WEST

There can be no lasting military defense of the West without economic strength. Economic vigor is essential to provide the resources for the security of the alliance and to assure the political stability of the region. Uncertainty in the global economic situation can complicate our collective efforts to improve the security posture of the alliance. Low growth rates, excessive inflation, and high levels of unemployment are not conducive to political stability. Energy prices and availability of supply are another critical area of mutual concern. Economic troubles generate protectionist pressures. There is a particular need to avoid restrictive measures which would impede necessary structural change and increase our partners' economic problems.

The Reagan Administration recognizes the primacy of economic issues in U.S. relations with Canada and Western Europe. Progress toward sound noninflationary growth within the U.S. economy may well be the most significant contribution we can make for improving both the global economic situation and the economic lot of our allies. It is for this reason that the President has put economic reform at the top of his roster of concerns.

The Reagan Administration appreciates the fact that we cannot succeed in our economic objectives if we act alone. Nor can we succeed if we act at cross purposes with the economic interests of the other industrial democracies. It is for these reasons that the Administration places special emphasis on close consultation and cooperation with the Canadians and West Europeans. Recognition of the need to work well together on shared challenges to our economic well-being is the reason for convening the economic summit to be held in Ottawa this July. And it underscores our particular commitment to two multilateral institutions: the Organization for Economic Cooperation and Development (OECD) and the European Community (EC).

The next major meetings of the OECD and the International Energy Agency (IEA), an independent agency within the OECD framework, merit mention. The OECD ministerial, June 16-17, will address OECD member countries' relations with developing nations, cooperation on energy matters, trade among OECD countries and with nonmember countries, export credits, and the overall economic situation. Deputy Secretary of State Clark and Deputy Secretary of the Treasury McNamar will head the U.S. delegation. These issues will also be considered by the summit countries' heads of government when they meet, July 19-21, at Ottawa, where the agenda will also include a discussion of East-West economic relations. The IEA Governing Board will meet at ministerial level, June 15, in Paris. Secretary of Energy Edwards and Deputy Secretary of State Clark will lead the U.S. delegation. Despite the present oversupply of crude oil on world markets and the recent OPEC [Organization of Petroleum Exporting Countries] ministerial decision to freeze prices for the rest of 1981, we need to continue our cooperative efforts to diversify sources of supply, develop alternative energy sources, and improve emergency-sharing arrangements.

The United States remains steadfast in its support for the process of European integration, exemplified by the evolution of the European Community. The Reagan Administration considers progress toward European unity important for Europe, the West, and the world. We thus place special significance on our continuing consultations, covering both economic and political issues, with the European Community and its 10 member governments.

The latest round of semiannual high-level U.S.-EC consultations was held, May 20-21, in Brussels. Under Secretary-designate for Economic Affairs Rashish led the U.S. delegation. We discussed a series of specific trade problems, North-South issues, the future development of the Community's Common Agricultural Policy, and energy security. We also exchanged views on current political issues of mutual interest. Given the volume and content of trade between the United States and the EC—according to Commerce Department statistics, our exports to the EC were valued at \$53.7 billion in 1980 and our imports from the EC at \$36.1 billion, resulting in a \$17.5 billion surplus in our favor—it is not surprising that problems arise from time to time. We work closely with the European Commission and the member governments to manage and resolve these problems. We believe that they should not be permitted to fester to the point where they affect our political and security relationships.

We follow the process of European integration with interest. We welcomed British, Danish, and Irish membership in the mid-1970s and are pleased that Greece became the 10th member of the EC on January 1, 1981. Spain and Portugal are actively negotiating the terms of their accession and are expected to join in the mid-1980s. But, while the Community is expanding its membership, the internal process of economic integration has slowed, partly because of the wide disparity in rates of growth and inflation among its members. The Community has delayed movement of the European monetary system into its second stage. The Community is faced with difficult, interrelated problems—most notably, budget reform and modification of the Common Agricultural Policy. Both problems are complicated by expansion of the Community. The European Commission and the member governments are grappling with severe structural problems in the steel, textile, and automobile industries. The directly elected European Parliament is seeking a more active role in the Community's budgetary and policymaking processes.

Although internal economic integration has temporarily slowed, there has been significant progress on political cooperation by the EC-10 [the 10 members of the European Community]. This development has occurred even though political cooperation is an area outside the scope of the Treaty of Rome. There has been a conscious and increasingly successful effort to coordinate the foreign policies of the Community's member states. A "European political correspondents" network has been established which permits rapid direct communications among the EC-10 Foreign Ministries. The country serving as President of the Council—currently the Netherlands but the United Kingdom will take over on July 1—provides secretariat services. Political directors meet regularly. A number of expert working groups, each with regional or institutional responsibilities, have been established to do the staff work.

Such developments have increasing significance for the United States. Over the past year or so, there has been a common EC-10 response to events such as the Soviet invasion of Afghanistan, the Iran hostage situation, recent developments in Poland, and the Middle East peace process. The result has been higher visibility for EC political action and the expectation that the Ten will be compelled to take a position on major political events and developments. A unified EC-10 position can be helpful to the United States, as was the case with the Community's statement on the integrity of passage through the Strait of Hormuz when the Iran-Iraq war broke out. We are consulting closely with the EC-10 to insure that their Middle East initiative will be complementary to our own efforts to establish peace in the region.

Our political dialogue with the EC-10 is an ongoing process covering a wide range of issues of mutual interest. As part of this dialogue, Secretary Haig stopped in Brussels on May 5, following the NATO ministerial in Rome. We have been assured, however, that the EC intends to use NATO as the forum for discussion of Western defense issues, in large part because Ireland is not a member of the alliance.

## BILATERAL RELATIONS

Those four pillars of policy for the Reagan Administration, which provide the foundation for our economic and military security, are important in the pursuit of mutually satisfactory bilateral



relations as well. Let me thus turn to those ties—addressing, in turn, the developments to date and issues before us, in our relations with: Switzerland, Austria, and the Federal Republic of Germany; nations of northern Europe; nations of central and southwestern Europe; nations in the eastern Mediterranean; and Canada.

### **Federal Republic of Germany, Austria, Switzerland**

**Federal Republic of Germany.** The Federal Republic of Germany (F.R.G.) is a key factor in all aspects of U.S. policy toward Europe. The just-concluded visit of Federal Chancellor Schmidt marked the culmination of a series of high-level contacts here and in Bonn which have established a sound foundation for cooperation between the Reagan Administration and the Federal Republic in the difficult times ahead. This visit demonstrated a high degree of commonality in the basic objectives and policies of the two countries. In view of the crucial importance of the F.R.G. in our security posture in Europe, in relations with the U.S.S.R., and in problems beyond Europe, we were gratified to confirm that we have this broad area of agreement with the Federal Republic.

The Federal Republic is inevitably on the front line in meeting the challenge posed by the Soviet Union. Through its performance over the last 15 years, its leadership role in implementing the dual NATO decision on TNF, and its large and growing contribution to the common defense, the Federal Republic has demonstrated the ability and the will, together with the United States and its other allies, to meet this challenge.

The Chancellor's visit also made clear that the U.S.-German relationship—including its political, military, and economic aspects—has reached a level of maturity at which we can achieve consensus despite differences due to history, geography, and differing roles in the world. We have developed means for dealing with the inevitable points of difference frankly and expeditiously, and in a manner which minimizes the impact of these minor frictions on the overall relationship.

**Berlin.** U.S. policy in Berlin continues to be to maintain allied rights and responsibilities for the city as a whole and to insure four-power compliance with the terms and the spirit of the Quadripartite Agreement of 1971. We can thus best defend Berlin against any

Soviet or German Democratic Republic (G.D.R.) threat to its security, whether that threat is directed against the city's four-power status, rights of land and air access, or the city's developing ties to the F.R.G. Our policy of maintaining the four-power commitments helps provide the calm atmosphere Berlin needs in which to develop and prosper.

Our priorities are to encourage continued Soviet commitment to the four-power regime (done recently, for example, by the conclusion of a four-power agreement on railway tariffs) and to encourage the development of Berlin's economic, cultural, and political ties with the F.R.G. and the West. The major potential problem is how to keep Berlin isolated from increasing East-West tensions created by the Soviet armaments buildup, the Soviet invasion of Afghanistan, and the situation in Poland.

**Austria.** As obliged under the 1955 State Treaty and as a matter of policy, we support the permanent neutrality of Austria. That policy has enabled Austria to pursue its basic Western orientation and has facilitated the broad convergence of Austria's international policies with U.S. interests. There are no serious bilateral problems, although we have differed with Chancellor Kreisky on Middle East policy.

Good opportunities for expanded bilateral relations exist in the areas of energy and security. We are talking with the Austrians about sales of American coal and about technology exchange on the problem of nuclear spent fuel disposal and we are also encouraging Austria to choose an American aircraft in its search for an interceptor for its air force. We admire and support Austria's role in refugee resettlement, and we are reviewing an Austrian request to restore a cut in the visa numbers we allot for Eastern European refugees from Austria.

**Switzerland.** We support the neutrality of Switzerland and that nation's active international role. Swiss representation of U.S. interests in Cuba, and more recently in Iran, has been an outstanding contribution to improved bilateral relations. Switzerland's Western orientation has produced sympathetic understanding of our views on such issues as Afghanistan. The United States supports Swiss efforts to maintain an effective defense establishment equipped with modern weapons. We have had continuing discussions with the Swiss concerning our common nuclear nonproliferation objectives. We will con-

tinue enhanced cooperation with the Swiss in ways fully consistent with their neutrality and where Switzerland's moral leadership can contribute to the furtherance of our objectives, as in the CSCE and in multilateral aid efforts for Turkey and for refugee relief.

### **Northern Europe**

The United States seeks close relationships with the nations of northern Europe. Our links with the majority of these states are strengthened by common membership in NATO, and it is the security relationship that is the principal driving force in our collective endeavors. Of course, not all states in the region have chosen NATO membership: Sweden, Finland, and Ireland remain outside the alliance. Moreover, economic, psychological, and historic forces, even among allies, can strain, as well as strengthen, relationships. Growing protectionist sentiment throughout northern Europe and the rise in anti-nuclear and pacifist sentiment in many countries challenge the strength of ties that have been nurtured since the Second World War. Our own relations with these nations are conducted both bilaterally and multilaterally. The two strands intertwine and reinforce each other.

**United Kingdom.** In the United Kingdom, the Conservatives, led by Prime Minister Thatcher, remain in office. The visit of Mrs. Thatcher to Washington in the second month of the new U.S. Administration symbolizes the close ties that bind the United States and the United Kingdom. The Thatcher government is fully committed to a strong NATO defense, despite the persistent problems of the U.K. economy. U.K. defense expenditures are expected to show a real increase of 8% in the 3-year period that began in 1980-81. Her Majesty's Government also continues to modernize both its nuclear and conventional deterrents, with the decision to purchase Trident warheads illustrative of its continued nuclear commitment. At the same time, the Thatcher government remains fully committed to NATO's two-track TNF decision. Preparations for ground-launched cruise missile deployments in the United Kingdom are proceeding apace, and the British participate actively in the deliberations of the NATO Special Consultative Group addressing the arms control track of the alliance decision.

The Thatcher government also accepts the fact that alliance interests dictate a presence in the Persian Gulf. To this end, the United Kingdom has agreed to participate in an alliance rapid deployment force and has made temporary deployments of small-scale units to the area. The British have also cooperated with U.S. efforts to enhance our ability to respond to contingencies in the region.

U.S. policy with regard to northern Ireland, which has traditionally been one of impartiality, was outlined in the President's statement of March 17, 1981. We will continue to urge the parties to come together for a just and peaceful solution, and we will continue to condemn all acts of terrorism and violence. The President also called on all Americans to question closely any appeal for financial or other aid from groups involved in the conflict to insure that contributions do not end up in the hands of those who perpetrate violence, either directly or indirectly.

**Republic of Ireland.** With the Republic of Ireland, excellent relations reflect the enormous reservoir of reciprocal good will with the United States. There is, however, no formal treaty relationship between us. Northern Ireland remains the single most important issue that we face jointly. But, with Ireland's membership in the EC, our consultations now extend across a wide range of international problems. During this current U.N. assembly, Ireland assumed a seat in the Security Council and held the Council presidency in April, gaining an important voice in the U.N. forum. We have made clear our support and appreciation for Ireland's considerable contribution to peace in the Middle East through participation in the U.N. peacekeeping forces in Lebanon.

**Belgium, Netherlands, and Luxembourg.** Traditionally, our relations with Belgium, the Netherlands, and Luxembourg have been marked by an absence of bilateral problems. Representative of the strength and continuity of these excellent relations is the fact that, in 1982, we will celebrate the 200th anniversary of the establishment of U.S.-Dutch diplomatic relations, the longest unbroken friendly relationship in our history.

The important issues which the United States and the Benelux nations face together are predominantly related to security concerns. They are actively involved in support of the alliance, for example, participating in host nation

support for U.S. rapid reinforcement of NATO. Belgium and the Netherlands, as countries for TNF deployment, particularly welcome the Administration's reaffirmation of TNF arms control as an integral part of NATO's 1979 decision to modernize its theater nuclear forces. The Belgian Government's decision on TNF deployment is consistent with the NATO decision. The Netherlands has informed its NATO partners that it will decide the issue of TNF deployment by the end of 1981. The decision will be taken by a Dutch Government to be formed in the aftermath of the May 26 elections. The visit to Washington of the then Dutch Prime Minister in May emphasized the Administration's desire for the closest possible consultations with all members of NATO and the EC. Both Belgium and the Netherlands maintain significant aid programs which contribute to stability in developing countries, such as Zaire and Indonesia.

**Finland, Sweden, Norway, Denmark, Iceland.** The Nordic area—including Finland, Sweden, Norway, Denmark, and Iceland—is one of increasing strategic importance. The buildup of Soviet forces in the Kola Peninsula continues unabated and poses a growing threat to NATO, as well as to the non-aligned states of the region. As a step toward redressing the imbalance in the area, we concluded with Norway a memorandum of understanding in January which provides for the prepositioning in central Norway of equipment for a U.S. Marine amphibious brigade of 10,000–12,000 men. As a result, in time of crisis, U.S. reinforcements will be able to link up quickly with their equipment and supplies.

It is because of the presence of Soviet forces in the area that we view with concern recent discussions about a Nordic nuclear-weapons-free zone. While we endorse measures which lessen tension in the region, the concept of the Nordic nuclear-weapons-free zone is unbalanced, ignoring the massive nuclear armaments in the Kola Peninsula and in the Baltic region. Realizing the asymmetry of the proposal, the governments of NATO allies in the region have opposed the plan which excludes Soviet territory from the area of applicability.

The Nordic states may not all share the same perspective on security affairs. But, they are a closely knit group with many common views on international issues such as human rights, assistance for developing states, arms control, and U.N. peacekeeping. We enjoy a close

consultative relationship with these countries on a wide range of subjects and welcome the many high-level contacts we have had in recent months. The visits of the Icelandic foreign minister and the chairman of the Greenland Home Rule Authority are indicative of the importance which the United States attaches to these consultations.

### **Countries of Central and Southwestern Europe**

As the Reagan Administration confronts the worldwide Soviet challenge, we are trying to improve the quality of security cooperation with our friends and allies in Europe. The focal point for the effort is NATO, but we also have important bilateral security relationships with several NATO members, as well as with Spain. The Treaty of Friendship and Cooperation with Spain expires on September 21, 1981. We have begun negotiating a successor to it. The first meetings have gone well.

**Spain and Portugal.** Although not related to the bilateral negotiations, the question of Spain's entry into NATO is an important one. We believe membership in the alliance would benefit both Spain and NATO. The Government of Spain is actively considering the question. If it decides to seek an invitation to join, we will give our strong support.

During the coming year, we will also begin the process of updating our security relationship with Portugal. The bilateral agreement that governs our use of the Portuguese air base at Lajes in the Azores expires in early 1983. As we renegotiate that agreement, we will also be exploring areas where both sides might benefit from expanded cooperation.

We watched with admiration during the past year as the young democracies in Iberia met the challenge posed in Portugal by the tragic death of a popular prime minister and in Spain by an attempted coup. Both nations reconfirmed their commitment to democracy. Both governments understand and appreciate that our support for democracy in Spain and Portugal is strong and unequivocal.

Because rumors persist in Spain about other possible coup attempts, I would like to take this occasion to reiterate this Administration's strong support for democratic government in Spain. We are confident that the consolidation of democratic government will



continue so that Spain will be able to assume its rightful place in Europe and in the Western alliance. We would be strongly opposed to any attempt to turn back the clock since it would be a great tragedy for Spain and a terrible blow to the Western democratic world.

**France.** We are following with intense interest developments in France and the workings of French democracy which brought a new president to power in May and will elect a new legislature later this month. We look forward to establishing the same kind of close and cooperative relationship with President Mitterrand and Prime Minister Mauroy that we enjoyed with their predecessors. Although elements of the bilateral relationship between our governments may change in some areas, we expect it to continue to be among the most important for the United States.

**Italy.** Italy is of great strategic importance to NATO and the United States. Italian contributions to NATO's southern flank are vital in insuring that the sea remains open and free. Italy has been directing greater attention to its key role in the Mediterranean. Italian political democracy, its status as a major U.S. trading partner, and traditional links with the United States make for a close partnership. Italy has joined with us and with its northern neighbors in the tough but necessary decisions like theater nuclear force modernization. Relations between the United States and Italy continue to be close and productive. The depth of that relationship was demonstrated once again by the support which the U.S. Congress and private Americans gave to Italy following the tragic earthquake in November 1980—\$50 million in U.S. Government contributions and many more millions in private contributions are being dedicated to reconstruction efforts.

The government of Prime Minister Arnaldo Forlani resigned on May 26. Following political consultations, President Pertini asked Forlani to attempt formation of a new government. Forlani reiterated his commitment to Atlantic alliance initiatives undertaken by Italy and to the struggle against inflation and terrorism. We consulted closely with the Forlani government and fully expect the same kind of cooperative relationship with its successor, whether led by Forlani or another person designated by the Italian President.

## Eastern Mediterranean

**Greece.** U.S. policy toward Greece recognizes that that nation is a key ally, playing a valuable role in the common defense—particularly in this period of critical developments in regions bordering on the eastern Mediterranean. The United States continues firmly to support the Greek people's commitment to democratic ideas, strong democratic institutions, and a vigorous democratic process that will include parliamentary elections later this year. This commitment to democracy was strengthened when Greece joined the EC on January 1 and deepened its ties with Europe. Although there will be some adjustments in U.S. trade with Greece as a result, we welcome Greek accession.

Greece has moved in recent times to strengthen its defense relationship with the West—first, by returning its military forces to the alliance's integrated command structure on October 20, 1980, and, second, by entering into negotiations for a new defense and economic cooperation agreement with the United States. Greece's reintegration into NATO closed a 6-year gap in the southern flank and augurs well for alliance solidarity in the face of the Warsaw Pact threat. It also provided an indication of improved relations between Greece and Turkey: Both nations now are making an effort to cooperate within the alliance and to continue bilateral talks at regular intervals to resolve their differences. The cooperation agreement negotiations are designed to modernize and update provisions under which U.S. military activities will be conducted. Talks are continuing intensively in Athens under the direction of our Ambassador, and we expect that an effective and mutually satisfactory agreement will result.

**Cyprus.** As stated in the President's report to Congress on Cyprus (March 20), a just, fair, and lasting resolution to the problems of Cyprus is an Administration priority. After almost 7 years of effort, it is time for a fair settlement which will benefit all the Cypriot people. The United States strongly supports the intercommunal negotiations under the stewardship of the United Nations. We are convinced that, while the negotiating path may be protracted and difficult, it is only through direct negotiations between the communities that a stable, enduring settlement on Cyprus can be found.

Since the U.N.-sponsored intercommunal talks resumed in August 1980, developments have been regrettably slow. This pace reflects the complexities of the problems, the longstanding intercommunal differences, and a slowdown in the schedule of meetings associated with elections on Cyprus. However, we believe that the continuation of the talks and the good atmosphere surrounding them constitute a positive development in the search for a solution to the Cyprus problem.

We are also encouraged by the decision on April 22 for agreement on the terms of reference for a committee on missing persons. Because this issue has been one of the most emotionally charged and divisive aspects of the Cyprus problem, the agreement—achieved after 2 years of painstaking negotiation—suggests that patient, persistent negotiating between both communities, under U.N. aegis, holds the potential for success, even on apparently intractable issues.

Cypriot Foreign Minister Nicos Rolandis, who visited Washington, May 18–19, had useful meetings with Secretary Haig and Vice President Bush. These discussions complement talks held with Turkish Foreign Minister Iltar Turkmen on April 1 in Washington and on May 4 at the NATO ministerial in Rome, and with Greek Foreign Minister Constantinos Mitsotakis on May 3 at the NATO ministerial. The meetings were helpful, including useful exchanges of views on Cyprus.

We believe that there is some potential for positive development this summer but such can only come about through the U.N. negotiations. The United States, however, will continue to work closely with all parties to the discussion in order to encourage patient, flexible negotiating and creative approaches to longstanding problems.

**Turkey.** The lifting of the partial arms embargo in September 1978, the conclusion of the comprehensive defense and economic cooperation agreement in March 1980, and sustained and generous U.S. military and economic assistance have put our relations with Turkey, a major ally, on an excellent footing. The Turkish Government is strongly pro-NATO and pro-United States. The smooth implementation of the coopera-

tion agreement has enabled us to operate our military logistical and intelligence collection facilities effectively and efficiently.

The central feature of our relationship is our shared commitment to the security of the Atlantic alliance. Continued high levels of assistance are essential to support our policy goals—that is, that Turkey regain economic health and political stability; play an effective role in NATO; continue ongoing efforts to resolve bilateral differences with Greece; and promote a negotiated solution to the Cyprus problem.

A healthy, growing Turkish economy will provide the basis for a stable society and a return to democratic institutions. The Turkish authorities have committed themselves to a courageous program for economic stabilization. The economy is showing signs of recovering from the deep financial crisis of the late 1970s, but significant levels of economic assistance from the United States and other OECD donors will be necessary for at least the next several years. On the military side, the Turkish Armed Forces have embarked upon a long overdue modernization program which will help Turkey fulfill its NATO role. Turkey's strategic importance to NATO and the West has been underlined dramatically by events to Turkey's south and east.

### Canada

Although U.S. relations with Canada do not fall under the responsibility of this subcommittee, some note concerning our close relations with our major trading partner and nearest ally may be in order. U.S.-Canadian relations cover a broad range of concerns—economic, political, commercial, cultural, and defense. We share the same general

point of view and the same goals on a broad range of both bilateral and international questions.

President Reagan's visit to Ottawa in March was valuable in reassuring Canada of the important place it holds in U.S. foreign policy, and in reconfirming the positive tone of the U.S.-Canadian relationship. The most important bilateral issues concern trade, investment, energy, fisheries, and boundary questions, and the environment. The two countries have worked cooperatively to resolve outstanding questions, although our interests and outlooks differ on many issues.

We have been concerned that Canada's energy policies might adversely affect U.S. firms. I am pleased that Canada recently announced measures which meet some of our principal concerns. For Canada, the question of transboundary air pollution, or acid rain, is a volatile political issue. We are determined to continue to move ahead on our joint scientific work related to the air pollution problem, and we will open formal negotiations on an air pollution agreement later this month.

Canada takes an active role in NATO, and Canada expects this year to meet the 3% goal for annual increase in defense spending. Canada and the United States have worked together in seeking solutions to ongoing problems in southern Africa, Southwest Asia, and the Middle East. Finally, Canada's role in international peacekeeping has been second to none.

### CONCLUSIONS

The Reagan Administration has made a solid start in foreign affairs in general and in relations with West Europe and Canada in particular.

- Together with those nations, we have sent a clear signal to the Soviet Union that it must exercise much greater restraint in the face of renewed Western resolve.

- We have begun to restore our allies' confidence that we appreciate their concerns and take them into account, as we demonstrate the leadership they respect.

- We are working with Canada and the nations of Western Europe to encourage stability and reduce the risk of war in developing nations.

- And we are restoring the economic health of the United States which will, in turn, serve the broader interests of the West as a whole.

In sum, we recognize the enormous challenges before us. But, we have set clear priorities for a consistent and balanced policy. We are prepared, in close consultations and cooperation with the nations of Western Europe and Canada, to move forward with confidence on issues of shared concern. ■

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